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these harsh, emphatic, isolated happenings. The American, it seems to me, has yet to achieve what is, after all, the product of education and thought, the conception of a whole to which all individual acts and happenings are subordinate and contributory.

The tendency of the typical and successful American is to look at all state and social activities largely through the medium of his private and personal interests. "What are we here for, if not for the offices?" is but a crude form of this kind of thinking. The Japanese feel this. While they value personal liberty as intensely as any people, they abhor the fragmentary view of life. Individually the Japanese may not be as shrewd, as clever in business, as the Chinese. But they have what the Chinese have not—a "sense of the state," of the immense importance of collective and civilized action, of wise organization, of social discipline. This is the secret of their successes in war, in commerce, in their various competitions with the nations of the West.

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RICARDO AND MARX

The philosophic foundations of political economy were of no great concern to Ricardo. He thought in practical terms of business life, and not upon the assumptions upon which his theory was based. He was a man of affairs rather than a scholar. He lived during the the time of the industrial revolution, when enterprises were carried on largely under the entrepreneur régime. He was concerned with the proportional distribution of the products of industry. The question of cost was for the most part a commodity cost to the entrepreneur. The questions of concern are: What is the process by which the entrepreneur gets the portion of the product falling to him? And under what circumstances and influences does it vary? The same inquiries must be made concerning wages and rent.

Ricardo's age in England was distinctly an industrial era, and he was intimately connected with the business life of his time. The man who thinks in terms of the industrial process must express himself in quantitative terms of time and mechanical efficiency. This may account largely for his habit of speaking in mechanical terms. Ricardo doubtless had philosophical assumptions, but they

were not the subject of his speculation; and perhaps they controlled his theory less than the facts of the industrial process in which he moved.

There appears less of the pleasure-and-pain calculus in Ricardo than in the other classical economists. There seems to be an unconscious assumption of a rough parallelism between the mechanical labor-time cost and the pain-cost. At least the distinction between pain-cost and labor-time cost did not seem to him important. This appears in such expressions as the following:

The estimation in which different qualities of labor are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the laborer and the intensity of labor performed. The scale, when once formed, is liable to little variation. If a day's labor of a working jeweler be more valuable than a day's labor of a common laborer, it has long ago been adjusted, and placed in its proper position in the scale of value.¹

Assuming that there is an ordinary intensity of the application of labor in the various pursuits, and also that a certain number of hours ordinarily count for a day's labor, Ricardo finds it possible to speak of *amounts of labor* in a somewhat mechanical way, rather than in terms of pain or disutility. He looked at the process as the entrepreneur would see it. It is amounts of labor in terms of time and mechanical efficiency that concern the manager. As above noted, it would seem that Ricardo assumes a given degree of intensity of application of labor for a given length of time to be ordinarily accompanied by about the same expenditure of human life and about the same amount of discomfort.

Before any discussion of the essentials of his theory it seems necessary to examine briefly some of the terms of frequent occurrence in his *Political Economy*. In discussions of value the terms "real value" and "relative value" are frequently used. The relative values of commodities are determined by the comparative amounts of labor required to produce them (p. 11). This is exchange value, and is seemingly the sense in which the word is, in most cases, used in the chapter on value. But in the use of the term "real value" there seems to be, in the mind of Ricardo, a more absolute value than the value ordinarily spoken of as exchange value. It was possibly this kind of value which Ricardo had in mind when he wrote:

¹ Gonner's third edition of Ricardo's *Political Economy*, p. 15.

If any one commodity could be found which now and at all times requires precisely the same quantity of labor to produce it, that commodity would be of an unvarying value, and would be eminently useful as a standard by which the variations of other things might be measured.²

It is also this type of value which the author has in mind when he discusses the value of the total mass of capital.³ In order that the whole product of labor may have a mass value, some such conception of value seems necessary. "Natural price" corresponds to real value. It does not correspond to actual price—just as real value does not, in general, correspond to actual value. Real value depends upon the amount of labor that has been crystallized in the commodity produced. In the Marxian political economy there is a more complete elimination of the pleasure-and-pain considerations in connection with economic theory. Ricardo assumes the pleasure-and-pain calculus, but develops the subject more in terms of the material calculations of the entrepreneur than in the language of the utilitarian philosophy. Although Ricardo writes of profit as a remuneration to the entrepreneur for waiting or the postponement of consumption, he makes no attempt to show a parallelism between the amounts of discomfort and remuneration. The amount of profits was discussed in terms of an amount left over after the payment of rent and necessary wages. Marx has made the complete transformation and entirely eliminated the idea of equality between amounts of discomfort and remuneration. The terminology of Marx also bears a resemblance to that of Ricardo. The term "value" in Marxian theory has a meaning similar to that of "real value" in the Ricardian phraseology.

Ricardo seems to regard his theory of wages as the key to the problem of distribution. As rent is not, in his theory, a part of the problem of value, the more difficult complications arise in connection with the distribution of the products going to the laborers and entrepreneurs. As rent is a differential, depending on the fertility of the soil and upon advantages of position, the difference between the value-productiveness of the poorest soil which must be cultivated to bring forth an adequate supply, and that of the most fertile soil will constitute the rent of the most fertile soil. If *A*, *B*, *C*, *D*, represent the value-productiveness per acre of soils having respectively all the varying degrees of productive advantage, and

² *Op. cit.*, pp. 11, 12.

³ *Ibid.*, p. 72.

G, H, K, L , the number of acres in each class, then the whole amount of rent, which may be represented by X , is

$$X = G(A - D) + H(B - D) + K(C - D) \quad 1$$

Space need not here be taken for the purpose of discussing the causes in the variation of X . The variables are clearly seen in the formula and the effect of machinery, discovery, or creation of, new land is most clearly discussed by showing the effect either on the differences $(A - D)$, $(B - D)$, and $(C - D)$, or on the quantities G, H, K, L . This might be taken up either from the standpoint of the effect on the absolute amount of the product going to rent or the portion of the whole product going to rent. It is the latter which seems most to interest Ricardo.⁴

In order to give the wage doctrine a similar treatment it is necessary to assume certain units for the purpose of quantitative statement. Let the unit of labor be the amount required to produce a unit mass of goods.

k = the value-productiveness of the unit of labor.

n = the fraction of every unit-mass of commodities, which is an output of the productive process, required to sustain the laborer in doing a unit of work.

M = the mass of commodities produced in time T .

With these units the Ricardian theory may be represented by the following equations:

$Mk = V$ = the value of the commodities produced in time T . 2

$Mnk = W$ = the value of the real wages of labor, Mn being the mass of necessaries required for the support of laborers. 3

If c be the portion of each unit-mass produced, which is consumed by the landlords and entrepreneurs,

$M - Mn - Mc = M(1 - n - c) = D$ = the sum which represents the source of the possible demand for labor. 4

The mass of necessaries required to support the laborers was not, in Ricardo's theory, a very flexible quantity. It might vary in different countries and in the same country at different times. One of the corrections suggested for the lowering standard of living is a decrease in the birth-rate.⁵ It may therefore be inferred that it

⁴ *Ibid.*, p. 60.

⁵ *Ibid.*, p. 77.

takes about a generation for habits of consumption to crystallize into a standard of living, according to Ricardian theory.

The relation of profits to wages is very simply expressed in quantitative terms. If the portion going to the landlords be already separated as rent, there remain only the two quantities, wages and profits, for consideration. Let R represent rate of profits. The following formulas may then be constructed:

$$M - X - Mn = P = \text{the mass of profits.} \quad 5$$

On the margin of cultivation X becomes zero, and the equation becomes,

$$M - Mn = P, \quad 6$$

and the rate of profit is

$$\frac{M(1-n)}{M} = 1-n = R. \quad 7$$

The portion going to profits depends entirely on n , the portion of every unit-mass required by the laborer. It is clear then, that, as wages rise profits fall.⁶

The above only serves to indicate the method which may be employed for working out in detail a mechanical expression of Ricardian theory. Mn , the mass of necessaries required to sustain and keep up the number of laborers, may be said to be the cost of production of the labor-force to the entrepreneur. If Mc be the mass of commodities consumed by the entrepreneurs and landlords, then the quantity D corresponds approximately to *surplus value* as defined by Marx. The departure of Marxian economy from the political economy of Ricardo lies chiefly in the discussion of the quantity D . Marx might go to the extreme of including Mc in the quantity of surplus value, at least in so far as Mc exceeded the necessaries required to sustain the landlords and entrepreneurs in their productive labor. Marx regarded all costs of production as being paid for in proportion to their labor-cost. The labor-cost of labor-force, by which is meant the amount of necessaries required by laborers, is less than the amount of the products of labor. Hence arises surplus value. Ricardo would have admitted

⁶ The above expression of Ricardian theory was worked out before any study of Marx. The kinship of this expression of Ricardian theory to the Marxian interpretation was suggested by Dr. Veblen, and appeared more clearly in a later study of Marx's *Capital*.

that there is a surplus, but would have contended that this is a reward to the owner of capital for the postponement of consumption. The controversies between the socialist and his opponent might then arise as to the justice of turning over the quantity D to the owners of capital.

There is no intention here to discuss the relative merits of the two contentions. The object is merely to show the kinship as well as the divergence between the economic theories of Ricardo and Marx. It is also thought that the expression of the political economy of Ricardo in mechanical units will be of value in an understanding of his theoretic analysis.

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